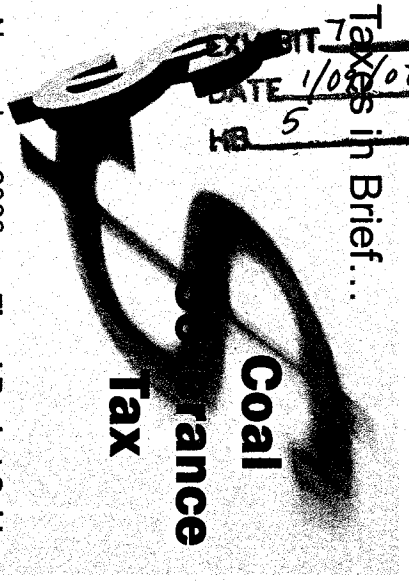


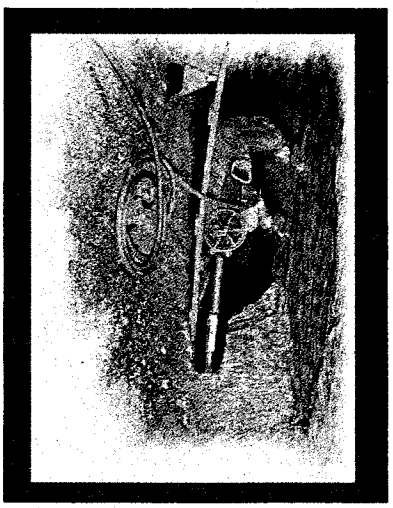
The Legislative Fiscal Division Presents

Taxes in Brief...

EXHIBIT
DATE 1/05/07
5



November 2006 Fiscal Pocket Guide



Revenue Description:

For large producers, the coal severance tax is imposed on all coal production in excess of 20,000 tons per company per calendar year. However, producers of 50,000 tons or less in any calendar year are exempt from the tax.



Legislative Fiscal Division
Revenue & Taxation Policy
Room 110, State Capitol
Helena, MT 59620-1711
(406) 444-2986

Statutory Reference:

Tax Rate (MCA) - 15-35-103
Tax Distribution (MCA) - Montana Constitution, Article IX, Section 5; 15-35-108
Date Due - the report to the Department of Revenue and tax is due 30 days following the close of the quarter (15-35-104)

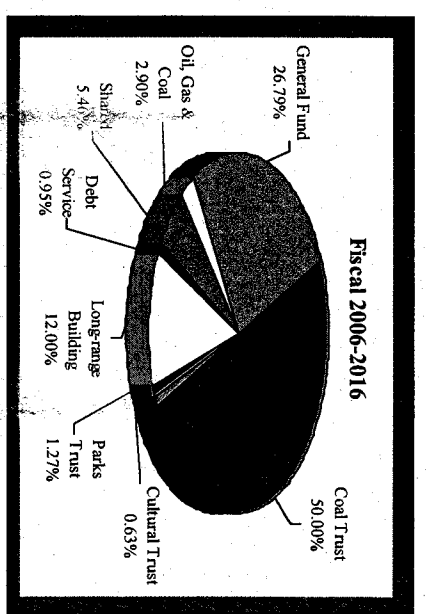
Applicable Tax Rate(s):

10.0% - on the value of coal with a heating quality < 7,000 BTU
15.0% - on the value of coal with a heating quality > 7,000 BTU

Distribution: (percentage)

Account Name	Fiscal 1998 - 1999	Fiscal 2000 - 2002	Fiscal 2003	Fiscal 2004 - 2005	Fiscal 2006 - 2016
Permanent Trust	25.00	0.00	0.00	12.50	0.00
Treasure State Endowment	25.00	37.50	37.50	25.00	25.00
TSEP Regional Water	0.00	12.50	12.50	12.50	12.50
Big Sky Economic Development	0.00	0.00	0.00	0.00	12.50
General Fund	25.25	26.79	33.04	27.40	26.79
LRBP - Cash Account	12.00	12.00	10.00	12.00	12.00
LRBP - Debt Service	1.30	0.00	0.00	0.00	0.00
Park Acquisition Trust	1.27	1.27	0.00	1.27	1.27
Cultural Trust	0.00	0.63	0.00	0.63	0.63
Cultural & Aesthetic Projects	0.87	0.00	0.00	0.00	0.00
Water Development	0.95	0.95	0.95	0.95	0.95
Oil, Gas & Coal Natural Res.	0.00	0.00	0.00	0.00	2.90
Shared Account *	8.36	8.36	6.01	7.75	5.46

* Used for Growth Through Agriculture, State Library, Conservation Districts, Coal Board (before FY 2006), and County Land Planning (before FY 2004).



Collection Frequency:

Quarterly: The coal severance tax is due 30 days after the end of the quarter.

% of Total General Fund Revenue:

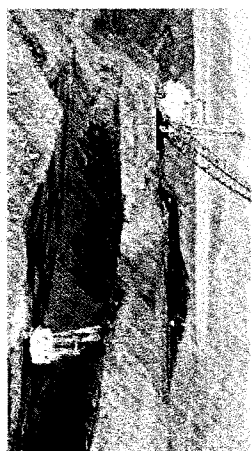
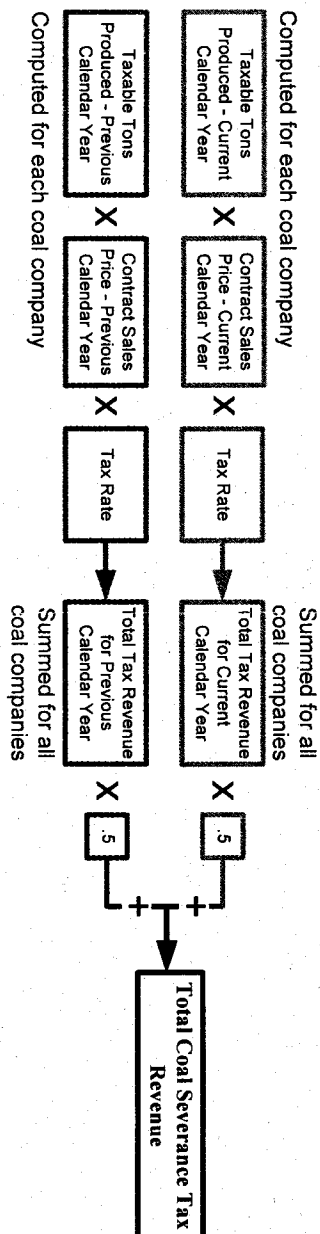
FY 2004 - 0.63%
FY 2005 - 0.67%
FY 2006 - 0.56%

Revenue Estimate Methodology:

The coal severance tax is applied to the value of coal produced. The coal severance tax estimate is developed by estimating the annual contract sales price and production for each producing coal company and any company anticipated to be producing within the 3-year period in question. From these estimates, taxable value can be determined to which is applied the tax rate. Since all production and price information is reported on a calendar year basis, the resulting calendar year estimates are converted into fiscal year estimates.



Forecast Methodology:



Data

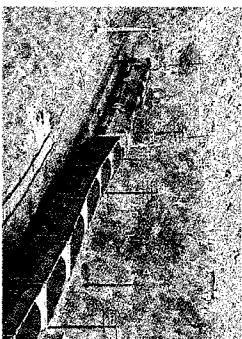
Major coal companies are surveyed for anticipated production levels and general indications of coal prices. In addition, a review is performed of historical trends and current literature on coal prices. Data from quarterly reports produced by DOR provide a history of production and prices for individual coal companies. These companies are:

- Decker Coal Company
- Spring Creek Coal Company
- Western Energy Company
- Westmoreland Savage Corporation

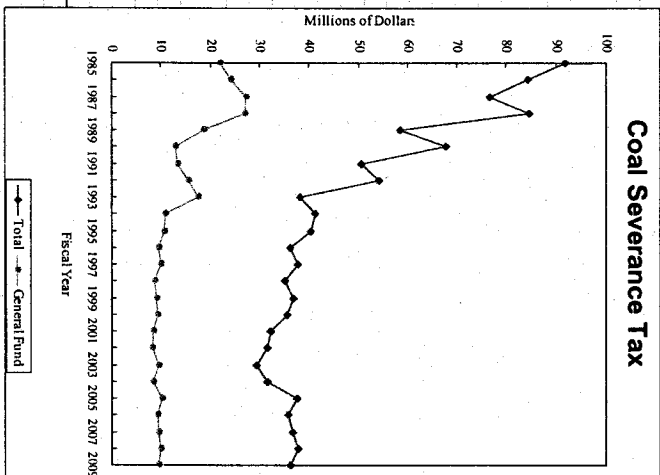
Analysis

The taxable value of coal is determined in a three-step process:

- The future coal production for each company, as reported on the survey, is reduced by the exempt amount of 20,000 tons to get taxable tons.
- To determine the future price for each company's coal, the company's average contract sales price for the last year was used since prices have remained stable for several years. The average contract sales price for all companies is shown in the figure below.
- The estimated production and price for each company are multiplied together and the product for all companies summed to obtain the total taxable value.



Fiscal Year	Total Collections Millions	General Fund Collections Millions	GF Percent Change
A 1985	91.748855	22.019726	Not App.
A 1986	84.217223	24.212459	0.099600
A 1987	76.546602	27.394944	0.131400
A 1988	84.638333	27.177382	-0.007900
A 1989	58.565583	18.805414	-0.308000
A 1990	67.870544	13.024366	-0.307400
A 1991	50.457848	13.517663	0.037900
A 1992	54.114107	15.778084	0.167200
A 1993	38.181298	17.744422	0.124600
A 1994	41.200704	11.046468	-0.377500
A 1995	40.416416	10.827741	-0.019800
A 1996	36.260949	9.714308	-0.102800
A 1997	37.740212	10.110603	0.040800
A 1998	35.045243	8.848924	-0.124800
A 1999	36.767488	9.283791	0.049100
A 2000	35.469791	9.502357	0.023500
A 2001	32.337172	8.663128	-0.088300
A 2002	31.614047	8.469404	-0.022400
A 2003	29.423547	9.721540	0.147800
A 2004	31.544681	8.643243	-0.110900
A 2005	37.634511	10.311836	0.193100
A 2006	35.821524	9.596586	-0.069400
F 2007	36.630000	9.813000	0.022600
F 2008	37.752000	10.114000	0.030700
F 2009	36.164000	9.688000	-0.042100



Legislative Fiscal Division

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LFD Mission Statement

We are committed to enhancing the legislative process through understandable and objective fiscal policy analysis and information.